

**CITY OF SELAH**  
**Yakima County, Washington**  
**January 1, 1991 Through December 31, 1991**

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**Schedule Of Findings**

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1. City Of Selah Financial Accounting Controls Should Be Improved

During our audit, we determined that the cash and investment balances recorded on the city's financial accounting system had not been properly reconciled since July 1991. As a result, we attempted to reconcile the accounting system's cash and investment balances, as of March 31, 1993, and discovered that the amount being held for the city by outside institutions was approximately \$ 791,500 more than the balance on the accounting records.

We also performed a detailed analysis of cash transactions posted to the accounting system in 1991 and noted numerous material recording errors. The financial statements included in this report have been corrected.

The above conditions resulted from changes made by accounting personnel in recording and reconciling procedures.

The city's failure to properly maintain the accounting records results in an increased risk that errors or irregularities could occur and not be detected in a timely manner. Consequently, we consider this condition to be a material weakness in internal controls. These conditions also resulted in a significant increase in audit costs for the city.

We recommend that city personnel improve the city's financial accounting internal controls by ensuring that transactions are properly recorded and the accounting records are reconciled monthly.

2. The City Of Selah Should Prepare Accurate and Timely Annual Reports

During our audit we determined that, as of April 1993, the city had not completed and filed its 1991 annual financial report with the Office of State Auditor. The following schedules of the annual report had not been prepared as of April 1993.

Schedule F-3	Notes To Financial Statements
Schedule 11	Schedule of Cash Activity
Schedule 13	Schedule of Cash and Investment Assets
Schedule 16	Schedule of Financial Assistance
Schedule 18	Schedule of Criminal Justice Expenditures

We also noted that the following completed statements and schedules did not always agree with the amounts on the city's accounting records:

Statement C-4	Fund Resources and Uses Arising From Cash Transactions (Detailed)
Statement C-5	Fund Resources and Uses Arising From Cash Transactions (Summarized)
Schedule 04	Detail of Revenues and Other Resources
Schedule 05	Detail of Expenditures and Other Uses
Schedule 07	Schedule of Warrant Activity
Schedule 09	Schedule of Long-Term Debt

The financial statements included in the financial section of this report have been corrected.

RCW 43.09.200 states in part:

. . . The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year . . .

Such reports shall be prepared, certified, and filed . . . within one hundred fifty days after the close of each fiscal year.

The report shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a municipality; (2) a statement of the entire public debt of every taxing district, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; together with such other information as may be required . . . .

The city's 1991 annual report was not prepared accurately nor submitted timely because:

- a. The individuals who prepared it were not adequately familiar with applicable accounting and reporting requirements.
- b. Of the inadequate condition of the accounting records (as noted in Finding 1).

Late and inaccurate preparation of financial reports results in inadequate disclosure of the city's financial activities to the city council and the public, and significantly increases audit costs. We believe that the public's confidence in government requires accountability and timely disclosure of relevant and accurate financial information.

We recommend that city personnel take the necessary steps to ensure that future annual reports are prepared in accordance with BARS requirements.

3. The City Of Selah Should Comply With Budget Requirements

During our audit we noted that the following funds incurred expenditures in 1991 without budget appropriations.

<u>Fund</u>	<u>Expenditures</u>
Narcotics Imprest . . . . .	\$ 2,500
Civic Center . . . . .	5,534
Emergency Medical Services . . . . .	11,370
Fire Control Building Reserve . . . . .	96,193
North First Street Improvement . . . . .	64,697

RCW 35A.33.120 states in part:

. . . the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year . . . .

RCW 35A.33.125 states in part:

. . . The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund, except upon an order of a court of competent jurisdiction or for emergencies as provided in this chapter.

Expenditures exceeded appropriations because city officials did not monitor and amend fund budgets appropriately.

Failure of the city to monitor and amend budgets in a timely manner is contrary to the statutory requirements cited and hinders the management of available public resources.

We recommend that the city develop and implement a system of budget controls which will ensure compliance with budgetary requirements.

4. The City Of Selah Should Repay Interfund Loans With Interest

On October 23, 1990, the city council passed Ordinance No. 894 which authorized the Water Reserve Fund to transfer \$104,000 to the Sewer Operating Fund for 270 days as a non-interest bearing loan.

The funds were transferred November 14, 1990, and were not repaid until January 28, 1992. No interest was included in the repayment.

RCW 43.09.210 states in part:

All services rendered by . . . one department . . . shall be paid for at its true and full value by the department . . . receiving the same, and no department . . . shall benefit in any financial manner whatsoever by any appropriation or fund made for the support of another.

The *Budgeting, Accounting and Reporting System* (BARS) manual, as promulgated by the State Auditor's Office, states the conditions of an interfund loan. The manual (Volume I, Part 3, Chapter 4, page 1) states in part:

1. The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the municipality) to be paid to the lending fund.

By not repaying the interfund loan, with interest, the city has allowed the Sewer Operating Fund to benefit from the Water Reserve Fund.

The city was notified of this requirement in the previous audit and no action toward compliance was taken.

We recommend that the city pay interest to the Water Reserve Fund from the Sewer Operating Fund based on the external rate available to the city during the period of the loan.

5. The City Of Selah Should Comply With Paths And Trails Legal Requirements

Since 1988, the city has not expended or reserved one-half of 1 percent of its motor vehicle fuel tax revenue to establish and maintain paths and trails, as required.

RCW 47.30.050, in reference to paths and trails expenditures, states in part:

(1) The amount expended by a city . . . shall never in any one fiscal year be less than one-half of one percent of the total amounts of funds received from the motor vehicle fund . . . **PROVIDED**, That this section does not apply to a city or town in any year in which the one-half of one percent equals five hundred dollars or less . . . **PROVIDED FURTHER**, That a city . . . in lieu of expending the funds each year may credit the funds to a financial reserve or special fund, to be held for not more than ten years, and to be expended for the purposes required or permitted . . . .

The total amount for 1988, 1989, 1990, 1991, and 1992 that the city should have expended or reserved for path and trails is \$2,911.

Without expending or reserving the required portion of the motor vehicle fuel tax, the intent of this legislation cannot be ensured.

The city was notified of this requirement in the previous audit and no action toward compliance was taken.

We recommend the city properly account for paths and trails funds by expending or reserving the required percentage of motor vehicle fuel tax revenue.